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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1992

No. _____

DAVID W. GIERE and DIKON MANUFACTURING COMPANY,

Petitioners,

-vs-

EATON CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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QUESTION PRESENTED FOR REVIEW

The District Court found that certain facts essential to plaintiff's cause of action were "most likely" true. Was it appropriate to grant summary judgment to plaintiff?

TABLE OF CONTENTS

Question Presented for Review i

Table of Contents ii

Table of Authorities iii

Opinions Below 1

Statement of Jurisdiction 1

Statement of the Case 2

Facts 5

Reasons Why the Writ Should Issue . . . 15

I. PLAINTIFF DID NOT PROVE ITS CAUSE OF ACTION FOR ALLEGED VIOLATION OF THE EMPLOYEE AGREEMENT. 19

II. PLAINTIFF DID NOT PROVE ITS "FIDUCIARY DUTIES" CAUSE OF ACTION. EVEN ASSUMING, ARGUENDO, THAT IT DID, THAT CAUSE OF ACTION DOES NOT SUPPORT THE INJUNCTION. 30

Conclusion 38

Appendix. . . . . A

TABLE OF AUTHORITIES

Anderson v. Liberty Lobby, Inc.,
477 U.S. 242 (1986) 16-18

Eaton Corp. v. Giere,
971 F.2d 136 (8th Cir. 1992). . . . 1, 5

Electro-Craft Corporation v.
Controlled Motion,
332 N.W.2d 890 (Minn. 1983) 28

Maryland Metals, Inc., v. Metzner,
282 Md. 31, 382 A.2d 564 (1978) . . 34-36

Matter of State Farm Mutual Auto Ins. Co.,
392 N.W.2d 558
(Minn. Ct. App. 1986) 22

McMains v. Commissioner of Public Safety,
409 N.W.2d 911
(Minn. Ct. App. 1987) 20

Peterson v. Haule,
304 Minn. 160,
230 N.W.2d 51 (Minn. 1975). 23

Pollock v. Williams,
322 U.S. 4, 18 (1944) 29

Rehabilitation Specialists v. Koering,
404 N.W.2d 301
(Minn. Ct. App. 1987) 31-34

Sanitary Farm Dairies, Inc., v. Wolf,
261 Minn. 166,
112 N.W.2d 42 (1961). 37

Travelers Ins. Co. v. Tufte,
435 N.W.2d 824, 828
(Minn. Ct. App. 1989) 24

United Board & Carton Corporation
v. Brittiny,
63 N.J. Super 517,
164 A. 2d 824 (1959). 37

Voyageurs Nat'l Park Ass'n v. Arnett,
609 F. Supp. 532 (D. Minn. 1985). . 22

28 U.S.C. 1254 (1) 1

28 U.S.C. 1332 1

Minn. Stat. 181.78 19-
21, 26

OPINIONS BELOW

This is a petition for certiorari to review the judgment of the United States Court of Appeals for the Eighth Circuit. That judgment was delivered in a published opinion, Eaton Corp. v. Giere, 971 F.2d 136 (8th Cir. 1992). A copy of this opinion is found at page A-26 of the Appendix.

The District Court opinions appealed from were unpublished. They are reprinted at pages A-1 and A-21 of the Appendix.

STATEMENT OF JURISDICTION

This Petition seeks to review the judgment of the United States Court of Appeals for the Eighth Circuit delivered in an opinion filed on July 27, 1992. Neither party petitioned for rehearing.

This Court's jurisdiction is based upon 28 U.S.C. 1254 (1). Jurisdiction in the first instance was based upon Diversity of Citizenship, 28 U.S.C. 1332.

STATEMENT OF THE CASE

This is an action by Plaintiff-Respondent Eaton Corporation, a manufacturer of, inter alia, hydrostatic transmissions and transaxles, against its former employee, Defendant-Appellant David Giere, a mechanical engineer. Defendant-Petitioner Dikon Manufacturing Company is a closely-held Minnesota Corporation owned by Giere. Unless the context indicates otherwise, both Petitioners will be referred to herein collectively as "Giere."

Giere was forced to resign from Eaton on June 20, 1990, after informing Eaton of plans to develop a transmission device which might someday be competitive with Eaton. Eaton filed this lawsuit on July 27, 1990.[1]

The lawsuit alleged five counts:

1. Misappropriation of trade secrets,

[1]. The original complaint named only David Giere as a defendant. Eaton later amended its complaint to include Dikon as a defendant.

2. Breach of Employee agreement,

3. Breach of Fiduciary duties,

4. Tortious interference with prospective economic advantage, and

5. Unfair competition.

On August 1, 1990, the District Court, District of Minnesota, Third Division, The Honorable Edward J. Devitt, J., entered a Temporary Restraining Order prohibiting Giere from continuing to develop and market his transmission device in violation of his employee agreement.

On cross motions for summary judgment, on April 30, 1991, Judge Devitt denied defendants' motion to dismiss all five counts, and granted plaintiff's motion for partial summary judgment on Counts II (Employee Agreement) and III (Fiduciary Duties). (A. 1-20)[2]. The District Court based its holding upon the grounds:

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[2]. Citations to the Appendix to this Petition are abbreviated A. ___.

> Giere knew nothing about hydrostatic products before coming to Eaton and most likely could not have developed his hydrostatic device on his own. Any similarities between Eaton and his designs are more likely the result of Giere's work on Eaton's hydrostatic transmission products than simply good engineering practice.

(A. 14). The Court did find, however, that issues of material fact remained on the allegations of trade secret theft.

On September 17, 1991, Judge Devitt granted plaintiff's motion for permanent injunction and final judgment. (A. 26). The Court held that Giere's transmission device was the property of Eaton, and permanently enjoined Giere from "engaging in any effort to design, develop or market" the device and ordered Giere to surrender to Eaton all blueprints, etc., of the device.

Both defendants appealed to the U.S. Court of Appeals for the Eighth Circuit. On July 27, 1992, that Court, Wollman, Hansen, and Roy, JJ., affirmed the District Court's

ruling. Eaton Corporation v. Giere, 971 F.2d 136 (8th Cir. 1992). (A. 26).

FACTS

Defendant David Giere graduated from South Dakota State University in 1979 with a degree in Mechanical Engineering. His first job out of college was with plaintiff Eaton Corporation. He continued to work for Eaton for about 10 years. During most of that time, he worked in the field of hydrostatic transmissions, which are described below. Because of his expertise in hydrostatic transmissions, and particularly transaxles, which combine a transmission and axle into one unit, Mr. Giere was often referred to in Eaton circles as "Mr. Transaxle."

In 1987, seven years after going to work for Eaton, Mr. Giere was required to sign an "Employee Agreement." The "employee agreement," which forms the basis for plaintiff's second cause of action,

provides:

> Any discoveries, inventions, improvements, and expressions of ideas that [the employee] may make or suggest while in the employ of Eaton relating to the products, manufacturing processes or equipment in connection therewith of Eaton or to any such needs or developments of Eaton or to the manufacture of the same, shall, without further consideration, immediately become the property of Eaton; however, this agreement shall not apply to a discovery[,] invention, improvement or expression of idea, for which no equipment, supplies, facility or trade secret information of Eaton was used and which was developed entirely on my own time, and (1) which does not relate[3] (a) to the business of Eaton or (b) to Eaton's actual or demonstrable anticipated research or development, or (2) which does not result from any work performed by me for Eaton.

In November, 1989, with no warning and no choice in the matter, Mr. Giere was

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[3]. The language of the employee agreement is essentially the same as Minn. Stat. 181.78, except that the statute includes the word "directly": "which does not relate (a) directly to the business of the employer. . . ."

forced to transfer out of hydrostatic transmissions into orbit hydraulic motors, which were outside his area of expertise. Mr. Giere found the work to be professionally unsatisfying. He also found that management was not very receptive to his ideas. Because of this, he began to think about going into business for himself.

Mr. Giere began to design a small hydraulic transmission. All of the design work was done after November, 1989, the date he was transferred out of hydraulic transmissions at Eaton. The Giere transmission is designed for use in small machinery, such as snowblowers or domestic rear-engine riding lawnmowers (as opposed to the larger "lawn and garden tractors" used on large estates or for commercial mowing). Eaton had never made a device that sold successfully for these applications.

Mr. Giere did all of the design work at home and on his own time on nights and

weekends. He never worked on his own product on Eaton time. He never used Eaton equipment, supplies, facilities, or trade secret information. Indeed, Mr. Giere was aware of the fact that the "Employee Agreement" purported to prevent such actions, so was careful to avoid them.

Mr. Giere's device did not result from any work performed by him at Eaton. In fact, he did all of the design work after November, 1989, the date he was transferred out of hydrostatic transmissions at Eaton.

A brief description of hydraulic transmissions, also known as hydrostatic transmissions, will be helpful to the Court in understanding the issues presented by this Petition.

A hydraulic transmission is a type of transmission used, for example, to transmit power from an internal-combustion engine to drive wheels. The input shaft of the hydraulic transmission (i.e. the shaft that

is connected to the shaft of the engine) drives a hydraulic pump. The hydraulic pump produces pressure in hydraulic lines. These lines are connected to a hydraulic motor, which converts the hydraulic energy back into rotational motion. The shaft of the hydraulic motor (the output shaft of the hydraulic transmission) is connected to the drive wheels.

In other words, a hydraulic transmission delivers power from input to output in the same way that a standard transmission in an automobile does. The only difference is that the intermediate step is different: A standard automobile transmission uses a gearbox. A hydraulic transmission uses hydraulic fluid under pressure.

Hydraulic transmissions are widely used in applications such as lawn and garden tractors and construction and agricultural equipment.

Plaintiff Eaton Corporation manufactures hydraulic transmissions used in the larger lawn and garden tractors. However, no manufacturer has ever effectively tapped the market consisting of the smallest rear-engine riding lawnmowers and snowblowers. It was defendant's intention to develop such a device.

There are a variety of different ways in which the power output of a hydraulic transmission can be varied. Defendants' device consists of a variable-displacement hydraulic pump and a fixed displacement hydraulic motor. In layman's terms, this means that the rate at which the pump operates is varied in order to vary the output. The motor is not adjusted at all during operation. An alternative way to vary the output would be to use a fixed motor and a fixed pump together with a variable flow directional valve.

Defendants' pump is a "radial piston

pump." Such a pump consists of a rotating cylinder block within a case. The internal cylinder block is offset so that the block and case are eccentric. To vary the displacement of the pump (i.e. to vary the power output of the transmission), the eccentricity between the cylinder block and case is varied. When the cylinder block is moved all the way to one direction, the transmission is delivering full forward power. When the cylinder block is moved all the way to the other direction, the transmission is delivering full reverse power. When the cylinder block is exactly in the center of the case, the pump stops delivering power, and the transmission is in neutral. In other words, a lever is attached to the pump to vary the eccentricity in this way, and that lever serves as the "stick shift" of the transmission.

A number of published descriptions and

published pictures of radial piston pumps were included within the record.

The motor in the Giere transmission is known as a "gerotor" motor.

On June 18, 1990, Mr. Giere told two of his supervisors of his plans to develop his own transmission device. He mentioned that his plans could include competing someday with Eaton. Two days later, plaintiff forced Mr. Giere to resign.

This lawsuit followed on July 30, 1990. In the discovery process, plaintiff learned that Mr. Giere was doing business in the corporate form with a company named DIKON MANUFACTURING COMPANY. Dikon was later added without objection as a defendant.

Mr. Giere originally reserved the name "Dikon" with the Minnesota Secretary of State on May 10, 1990. He wanted to be able to use that name, which means "to serve," when he finally went into business for

himself. He did not incorporate the business, however, until July 10, 1990, after he was forced to resign from Eaton.

Plaintiff conceded that theft of trade secrets was not at issue in the instant summary judgment:

> [T]he existence and misappropriation of Eaton Trade Secrets expressly were not issues upon which the District Court based its grant of summary judgment and entry of final judgment in Eaton's favor as to Counts II (Breach of Employee Agreement) and III (Breach of Fiduciary Duties) of Eaton's First Amended Complaint. Trade Secret issues were relevant only to Count I, which Eaton voluntarily dismissed.

Appellee's Brief to Court of Appeals at pp. 35-36.

In denying defendant's motion for summary judgment on Count I, the District Court stated: "Clearly, genuine issues of material fact exist concerning Eaton's alleged trade secrets which preclude summary judgment as to Count I." In granting

plaintiff's motion for summary judgment on Count II (Employee Agreement), the Court noted that "Eaton does not need to prove misappropriation of trade secrets in order to prevail on Count II."

The parties filed cross-motions for summary judgment. The District Court denied defendants' motion, but granted plaintiff's with respect to two counts of the complaint.

On Count II (Breach of Employee Agreement), the District Court held that plaintiff met its burden of establishing "that Giere's transmission device relates to the business of Eaton and results from any of the work performed by Giere at Eaton." (A. 11-14).

On Count III (Fiduciary Duties), the Court held that by "soliciting the employer's customers for himself while still employed" (A. 15) and by "disclos[ing] or mak[ing] use of confidential information without the employer's consent," (A. 16),

Giere breached these duties to Eaton.

On September 17, 1991, based upon its earlier grant of partial summary judgment, the Court entered final judgment and a permanent injunction against defendants. Under that order (A. 21), the Giere transmission device was declared to be the property of Eaton Corporation. Defendants were permanently enjoined from "engaging in any effort to design, develop, or market the transmission device." (A. 23).

The defendants appealed to the U.S. Court of Appeals for the Eighth Circuit. On July 27, 1992, the Court of Appeals affirmed. This petition followed.

REASONS WHY THE WRIT SHOULD ISSUE

The instant case gives this Court the opportunity to address how the procedural standards for granting summary judgment interact with the burden of proof imposed by the substantive law. The District Court determined, and the Court of Appeals

affirmed, that Petitioner "most likely" could not have developed his hydrostatic device on his own. The District Court also found that any similarities between Eaton's and Giere's designs were "more likely" the result of Giere's work on Eaton's hydrostatic transmission products than simply good engineering practice. (A. 14).

Petitioner respectfully submits that it was error to grant summary judgment on this basis. While "most likely" might satisfy the burden of proof if the case is heard by the trier of fact, this is an insufficient standard to take the case away from the trier of fact.

The Court's function on a summary judgment motion is not to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250 (1986).

The inquiry performed is the

> threshold inquiry of determining whether there is the need for a trial--whether, in other words, there are any genuine factual issues that properly can be resolved only by a finder of fact because they may be reasonably resolved in favor of either party.
>
> Id.
>
> [T]he substantive law will identify which facts are material. Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment. Factual issues that are irrelevant or unnecessary will not be counted.

Id. at 248. Similarly, the dispute about a material fact must be "genuine":

> [S]ummary judgment will not lie if the dispute about a material fact is "genuine," that is, if the evidence is such that a reasonable jury could return a verdict for the non-moving party.
>
> * * *
>
> [For the dispute to be "genuine,"] all that is required is that sufficient evidence supporting the claimed factual dispute be shown to require a jury or judge to resolve the parties' differing versions of

truth at trial.

Id. at 248-49.

In the instant case, summary judgment was improper because there were a number of issues of material fact that either might be or would be resolved in favor of the defendants, even assuming, arguendo, that they "most likely" would be resolved in favor of the plaintiff. As discussed further below, these genuine issues of material fact include:

> 1. Did defendant use any Eaton equipment, supplies, or facilities? (See pages 24-25 below).
>
> 2. Did defendant's device relate directly to Eaton's business? (See pages 25-26 below).
>
> 3. Did defendant's device result from any work performed by defendant for plaintiff? (See page 27 below).
>
> 4. Did plaintiff prove its "fiduciary duties" cause of action, or were defendant's activities mere preparation to go into business? (See pages 30-37 below).

Because of these genuine issues of material fact, summary judgment was not proper.

I. PLAINTIFF DID NOT PROVE ITS CAUSE OF ACTION FOR ALLEGED VIOLATION OF THE EMPLOYEE AGREEMENT.

Plaintiff's second purported cause of action was one for the alleged violation of the "Employee Agreement" signed by Mr. Giere seven years into his employment with Eaton. The trial Court erred in granting summary judgment on this Count.

In 1985, Eaton Corporation drafted an "employee agreement" for its engineers to sign. This document was promulgated in response to what one Eaton lawyer described as "Employed Inventor Law Fever," the enactment by legislatures around the country of laws to protect people like David Giere, inventors employed by corporations. Minnesota's contribution to "Employed Inventor Law Fever" was Minn. Stat. 181.78.

Eaton's new form closely parallelled the language of the Minnesota statute. In fact, the new form was designed to comply with the Minnesota law.

As plaintiff's pejorative description ("Employed Inventor Law Fever") suggests, the Minnesota Statute was clearly designed and intended to protect employed inventors like David Giere. This is clear from the legislative history of the Statute[4]:

Minn. Stat. 181.78 was known as the

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[4]. Excerpts of the legislative history were included in the record at the Court of Appeals. The originals of these documents are in the Minnesota State Archives, Minnesota Historical Society. The Minnesota Court of Appeals has held that an appellate court may consider legislative committee records and tape recordings of committee meetings in interpreting a statute. McMains v. Commissioner of Public Safety, 409 N.W.2d 911, 914 (Minn. Ct. App. 1987). An unofficial transcript of the legislative committee's hearing on this bill was before the Court of Appeals, and an official copy of the tape recording was provided to counsel for respondent.

"Freedom to Create" bill in the Minnesota Legislature. The bill was designed to encourage employed inventors to introduce useful inventions into the American economy even when the employer was not receptive to the idea. As a Senate report notes, "many excellent concepts are therefore delayed or buried forever." A constituent letter in the Senate files makes clear that the statute was designed to prevent the very situation which came about in the instant case: "Dear Sir: How would you feel if an invention that you designed on your own time and with your own resources was taken away from you by your employer?"

The House file regarding the Freedom To Create Bill also makes clear that the statute is designed to protect employed inventors like David Giere. The chief house sponsor of the bill was Rep. Fudro, whose interest in the subject was personal, in that an invention had been stolen from him

by a corporation. The bill was designed to protect others in that situation.

In interpreting a statute, statements of the legislation's sponsor should be given substantial weight. Matter of State Farm Mutual Auto Ins. Co., 392 N.W.2d 558, 569 (Minn. Ct. App. 1986); Voyageurs Nat'l Park Ass'n v. Arnett, 609 F. Supp. 532, 538 (D. Minn. 1985).

Representative Fudro stated the effect of the Freedom to Create Bill:

> Let's say I worked for a corporation. The way some of the laws read before, if you invented something in your basement and you worked for the Fudro Toy Company, that toy, or whatever you invented, would belong to me, and under this Bill, it would not belong to me, it would belong to you, unless you invented something that I manufactured, gave you my trade secrets and you used some of the material that I had or used machinery that I used, to make your invention, it would then belong to me.

Remarks of Rep. Fudro, House Labor Management Relations Subcommittee, March 23,

1977.

In the instant case, it is clear that the statute was designed to protect the defendant. He invented something in his basement, and it belongs to him because plaintiff did not establish that he invented something that plaintiff manufactured or that he used plaintiff's trade secrets or materials.

In interpreting statutes, the court's are required to discover and effectuate legislative intent and to consider the objects which the legislature seeks to accomplish by the statute and the mischief sought to be remedied. Peterson v. Haule, 304 Minn. 160, 170, 230 N.W.2d 51, 57 (Minn. 1975).

In light of the clear legislative intent to protect employed inventors like David Giere, the statute (and the employee agreement modelled after it) should be construed strictly in favor of defendant.

As the above-quoted legislative history makes clear, the statute in the instant case is designed to remedy a wrong perpetrated against employees. Remedial statutes are to be construed liberally to accomplish their legislative purpose. Travelers Ins. Co. v. Tufte, 435 N.W.2d 824, 828 (Minn. Ct. App. 1989). In short, the statute in the instant case is a shield to protect employed inventors. Defendant respectfully submits that in the instant case, the District Court erred in that it applied the statute as a sword against him.

Both the statute and the employee agreement provide that an employed inventor retains title to any inventions when two conditions are met.

First, the employee must use no equipment, supplies, facility, or trade secret information of the employer, and the invention must be developed on the employee's own time. Minn. Stat. 181.78,

Subd. 1.

In the instant case, defendant's device was clearly developed on his own time. Also, the defendant did not use any equipment, supplies, or facilities of the employer. Mr. Giere has testified that his invention was done on his own time on nights and weekends. He did not use any Eaton equipment, supplies, facility or trade secret information. And, as Plaintiff conceded for the purpose of the instant motion, defendant did not use any Eaton "trade secrets." Other than conclusory allegations, Eaton presented no evidence of any Eaton equipment, supplies, facility, or trade secret information that was used in Mr. Giere's device. Everything the defendant used was clearly part of the public domain.

If the first test is met, one of two alternative conditions must be met in order for the invention to remain the property of

the employee. In the instant case, defendant fits within both of these provisions.

The invention remains the property of the employee if the invention does not relate directly to the business of the employer or to the employer's actual or demonstrably anticipated research or development; or if the invention does not result from any work performed by the employee for the employer. Minn. Stat. 181.78, Subd. 1.

Defendant clearly comes within both of these provisions. Defendant's device did not relate directly to the business of the employer. Mr. Giere's device is for small lawn implements such as rear-engine riders or snowblowers. Eaton has never tapped this market. Instead, Eaton has concentrated on larger lawn & garden tractors and commercial applications. Because Mr. Giere's device does not relate directly to Eaton's

business, it is outside the scope of the agreement.

It is also true that Mr. Giere's device did not result from any work performed by him for Eaton. In fact, all of the work Mr. Giere did on his device was done after Mr. Giere was transferred out of hydrostatic transmissions at Eaton.

In order to sustain its burden on this point, plaintiff showed only that Mr. Giere acquired expertise in the field of hydrostatic transmissions while working at Eaton. The trial court found that "Giere knew nothing about hydrostatic products before coming to Eaton and most likely could not have developed his hydrostatic device on his own."

Plaintiff respectfully submits that plaintiff must show much more than this to entitle itself to relief. Most workers learn something on the job. They learn and develop expertise. If they change jobs, it

is customary to list previous jobs on a resume. It is perfectly acceptable to use general expertise and know-how as a personal asset when changing jobs. As the Minnesota Supreme Court stated, "[t]he law of trade secrets will not protect talent and expertise, only secret information." Electro-Craft, 332 N.W.2d at 897.

Simply stated, a worker has the right to change jobs. When he changes jobs, he takes with him talent, expertise, and know-how acquired on the previous job. That's what David Giere did, and he respectfully submits that the trial court erred in finding that conduct unlawful.

The Statute in this case was designed to protect inventors who are employed by corporations. Defendant respectfully submits that it should have been construed that way. The statute is a shield to protect employees. The District Court's construction, it is respectfully submitted,

transmutes that shield into a sword.

This case has important ramifications for free enterprise in this country. It has long been held that a worker is free to change jobs. He cannot be bound to one employer for life.

As this Court has stated:

> But in general the defense against oppressive hours, pay, working conditions, or treatment is the right to change employers. When the master can compel and the laborer cannot escape the obligation to go on, there is no power below to redress and no incentive above to relieve a harsh overlordship or unwholesome conditions of work. Resulting depression of working conditions and living standards affects not only the laborer under the system, but every other with whom his labor comes into competition.

Pollock v. Williams, 322 U.S. 4, 18 (1944).

In the instant case, the employee was dead-ended in his job. Management was not receptive to his ideas, so he decided to go into business for himself. The employer should not be allowed to keep a hold on him

forever by preventing him from using general engineering principles. This was one of the wrongs Minnesota's Freedom to Create law was designed to overcome. Defendant respectfully submits that this law mandates reversal of the judgment appealed from, especially in light of the fact that summary judgment was granted because plaintiff "most likely" would prevail.

II. PLAINTIFF DID NOT PROVE ITS "FIDUCIARY DUTIES" CAUSE OF ACTION. EVEN ASSUMING, ARGUENDO, THAT IT DID, THAT CAUSE OF ACTION DOES NOT SUPPORT THE INJUNCTION.

The District Court also found that David Giere breached his duties of loyalty and confidentiality by soliciting customers while still employed by Eaton. The Court also found that Giere used "confidential information," (A. 16) even though it found a genuine issue of material fact on the existence of a "trade secret." (A. 10).

It should first be noted that even if

plaintiff proved this cause of action, this cause of action alone would not support the injunction. Conceivably, plaintiff might be entitled to damages for solicitation of customers. But since this cause of action has nothing to do with the device in question, it does not support the injunction making that device plaintiff's property.

But it is clear that plaintiff did not establish that it was entitled to judgment as a matter of law on this count of its complaint. This cause of action is discussed at length in Rehabilitation Specialists v. Koering, 404 N.W.2d 301, 304-05 (Minn. Ct. App. 1987):

> An employee's duty of loyalty prohibits her from soliciting the employer's customers for herself, or from otherwise competing with her employer, while she is employed. . . . Employees who wish to change jobs or start their own businesses, however, should not be unduly hindered from doing so. . . . An employee has the right, therefore, while still employed, to prepare to enter into competition with her

> employer. . . . There is no precise line between acts by an employee which constitute prohibited 'solicitation' and acts which constitute permissible 'preparation'. . . . Because of the competing interests, the actionable wrong is a matter of degree.

In the instant case, Mr. Giere merely wanted to "change jobs or start his own business," and "should not be unduly hindered from doing so". The only activities done by Mr. Giere while still in Eaton's employ were non-actionable preparation. For example, he reserved the name with the Secretary of State and began designing at night and on weekends.

Thus, this case is easily distinguishable from Rehabilitation Specialists, where the former employee made extensive use of the employer's time, resources, and contacts:

> While still employed by RSI, she tentatively secured five contracts from him. She sent him two draft contracts and requested letters of intent regarding the

> three others. Viewed most unfavorably to RSI, the evidence cannot fairly be characterized as establishing as a matter of law that Koering did not solicit this customer in violation of her duty of loyalty to RSI. . . .

In the instant case, there was a genuine issue of material fact even on the issue of whether the contacts made by Mr. Giere were with an Eaton "customer." Mr. Giere did make some contacts with Toro about his light duty transmission device. The fact is that Toro never purchased such products from Eaton. The Wheelhorse Company of South Bend, Indiana, did purchase some Eaton light-duty products. Wheelhorse was purchased by Toro in late 1988 or early 1989.

When Mr. Giere contacted Toro in 1990, Wheelhorse and Toro were still operating as independent businesses. Toro's engineering department was located in Bloomington, Minnesota. Wheelhorse's engineering

department was still located in South Bend, Indiana. Toro of Bloomington never used Eaton's smaller transmissions.

Thus, there was a genuine issue of material fact precluding summary judgment on the question of whether Mr. Giere contacted an Eaton "customer." But even, assuming, that he did, summary judgment was still not appropriate, because whatever minimal contacts there were non-actionable preparation.

This privilege to compete with a former employer is discussed at some length in Marvland Metals, Inc., v. Metzner, 282 Md. 31, 382 A.2d 564 (1978), cited with approval by the Minnesota Court of Appeals in Rehabilitation Specialists, 404 N.W.2d at 304:

> A direct corollary of this general principle of loyalty is that a corporate officer or other high-echelon employee is barred from actively competing with his employer during the tenure of his employment, even in the absence

of an express covenant so providing. . . . Thus, prior to his termination, an employee may not solicit for himself business which his position requires him to obtain for his employer. He must refrain from actively and directly competing with his employer for customers and employees, and must continue to exert his best efforts on behalf of his employer.

* * *

The second policy recognized by the courts is that of safeguarding society's interest in fostering free and vigorous competition in the economic sphere.

* * *

It is important to the free competition basic to our national development as well as to the individual rights of employees who want to go into business for themselves that their spirit of enterprise be not unduly hampered.

Furthermore, courts have been receptive to the view that every person has or at least ought to have the right to ameliorate his socio-economic status by exercising a maximum degree of personal freedom in choosing employment.

* * *

> This policy in favor of free competition has prompted the recognition of a privilege in favor of employees which enables them to prepare or make arrangements to compete with their employers prior to leaving the employ of their prospective rivals without fear of incurring liability for breach of their fiduciary duty of loyalty. . . . '[A]n agent need not wait until he is on the street before he looks for other work';
>
> It is something more than preparation which is so harmful as to substantially hinder the employer in the continuation of his business.
>
> Moreover, while an employee is under an obligation to be candid with his employer in preparing to establish a competing enterprise . . . , he is not bound to reveal the precise nature of his plans to the employer unless he has acted inimically to the employer's interest beyond the mere failure to disclose.

Emphasis added.

The plaintiff in this case did not present any evidence, much less conclusively establish, that Mr. Giere's limited contacts "substantially hindered" the continuation of

Eaton's business. Accordingly, it was not entitled to summary judgment on this count.

And in Sanitary Farm Dairies, Inc., v. Wolf, 261 Minn. 166, 175, 112 N.W.2d 42, 49 (1961), the Minnesota Supreme Court stated:

> Thus, before the close of his employment, he may purchase a rival business and upon the termination of the agency immediately compete with his former employer. He may not, however, before the termination of his employment, solicit customers for such rival business, nor may he do other similar acts in direct competition with the employer's business.'

Id., quoting United Board & Carton Corporation v. Brittiny, 63 N.J. Super 517, 164 A. 2d 824 (1959).

Mr. Giere merely prepared to go into business for himself while employed by Eaton. The law and its underlying principles of free competition give him that privilege. He was under no duty to wait until he was on the street. Therefore, his actions were privileged and non-actionable.

CONCLUSION

This case presents the Court with an opportunity to discuss important issues involving the relationship between burden of proof and summary judgment standards. Therefore, for the reasons stated herein, Petitioner respectfully prays that the Writ of Certiorari issue to review the judgment of the Court of Appeals for the Eighth Circuit.

DATED this 12 day of October, 1992.

Respectfully Submitted,

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APPENDIX

Order of the District Court Granting Plaintiff's Motion for Partial Summary Judgment A-1

Order of the District Court Granting Final Judgment A-21

Opinion of the Court of Appeals (Judgment of which Review Is Sought) A-26

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
THIRD DIVISION

EATON CORPORATION, an Ohio corporation,

Plaintiff,

vs.

DAVID W. GIERE and DIKON MANUFACTURING COMPANY,

Defendants.

Memorandum and Order
Civ. 3-90-439

Michael H. King, Jon K. Stromsta and J. Michael Amrein, Ross & Hardies, Chicago, Illinois, and R. Scott Davies, Briggs & Morgan, Minneapolis, Minnesota for plaintiff Eaton Corporation.

Richard P. Clem, Clem & Crosby, Minneapolis, Minnesota for defendants David Giere and Dikon Manufacturing Company.

INTRODUCTION

Manufacturer of hydrostatic transmissions and transaxles moves for

partial summary judgment against former employee and employee's company on Counts II and III of its Amended Complaint.

Former employee and company move for summary judgment against manufacturer, or in the alternative, an order vacating the Temporary Restraining Order signed August 1, 1990.

BACKGROUND

Plaintiff Eaton Corporation ("Eaton") is in the business of designing, developing, producing and marketing hydrostatic transmissions and transaxles for use in lawn and garden vehicles.

Defendant David Giere ("Giere"), a college graduate with a degree in mechanical engineering, was employed by Eaton at its Hydraulics Division in Eden Prairie, Minnesota from January 2, 1980 to his resignation on June 20, 1990.

Giere worked on the design, development and manufacturing of Eaton's

light duty hydrostatic transmissions, transaxles and motor axles. In particular, Giere was the project engineer for the development of Eaton's Models 750, 850 and 1150 Hydrostatic Transaxles. Giere was also involved in the development of Eaton's Model 2030 Motor Axle. Models 750 and 850 are smaller than Eaton's older models, and represent Eaton's attempt to satisfy a growing interest for hydrostatic transmissions and transaxles that could be used for smaller riding lawn mowers, walk-behind mowers and snowblowers. In the course of his employment Giere had access to and utilized information which plaintiff alleges is confidential.

On April 1, 1987, Giere signed an "Employment Agreement" in which he agreed that he would not disclose any confidential information which he acquired during his employment at Eaton, and that any discoveries or inventions made by Giere

while employed at Eaton relating to Eaton's products or processes would immediately become the property of Eaton. Other means used by Eaton to protect its confidential information include proprietary notices, patents and patent applications, visitor restrictions and trade secret seminars for employees.

In December, 1989, Giere was transferred to a different products line. He found the work professionally unsatisfying and in early January, 1990, began work at home on sketches, drawings and calculations for his own hydrostatic transmission device. In February, 1990, Giere contacted The Toro Company, one of Eaton's largest customers, showed engineering drawings of his devise to Toro personnel, corresponded with Toro regarding pricing of his device, and entered into a non-disclosure agreement with Toro.

On June 18, 1990, Giere informed

Eaton of his plans to develop a competitive transmission device, and on June 20, 1990, Giere submitted his letter of resignation, effective immediately. In reply, Eaton filed this lawsuit on July 27, 1990 charging Giere with misappropriation of trade secrets (Count I), breach of employee agreement (Count II), breach of fiduciary duties (Count III), tortious interference with prospective economic advantage (Count IV) and unfair competition (Count V). Later, Eaton filed a First Amended Complaint adding as a party defendant Dikon Manufacturing Company ("Dikon"), the corporation established by Giere to manufacture and market his transmission device.[1] For purposes of this memorandum, defendants Giere and Dikon will be referred to collectively as "Giere."

[1]. On May 10, 1990, Giere reserved the name DIKON MANUFACTURING COMPANY with the Minnesota Secretary of State. DIKON was incorporated on July 10, 1990.

On August 1, 1990, this court entered a Temporary Restraining Order ("TRO") preventing Giere from continuing to develop and market his transmission device in violation of his Employee Agreement with Eaton. On August 31, 1990, Eaton made discovery requests that Giere produce copies of documents relating to the design of his transmission device. In response, Giere produced redacted copies of his engineering drawings. Eaton objected and filed a motion to compel production of unredacted copies of Giere's engineering drawings.

On December 5, 1990, Magistrate Noel granted Eaton's motion to compel production of documents, subject to a Protective Order. The Protective Order, however, prevents Eaton's in-house engineers from looking at Giere's drawings and other documents. The only Eaton employee allowed to view Giere's drawings is Leslie Kasper, an attorney at Eaton's corporate headquarters in Cleveland,

Ohio. Eaton has subsequently filed a motion to modify the Protective Order to allow two of its engineers to review the engineering drawings of Giere's transmission device.

At the February 19, 1991 hearing, Magistrate Noel took the motion under advisement pending this court's ruling on Eaton's motion for partial summary judgment on Count II (Breach of Employee Agreement). Since then, Giere has agreed to let Eaton's in-house engineers review a few of his thirty-four (34) drawings.

DISCUSSION

A. Summary Judgment

Summary judgment is appropriate if there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Rule 56(c), Fed.R.Civ.P. "Summary judgment procedure is properly regarded not as a disfavored procedural shortcut, but rather as an integral part of the Federal Rules as a

whole. . . ." Celotex Corp. v. Catrett, 477 U.S. 317, 327, 106 S.Ct. 2548, 2555, 91 L.Ed.2d 265 (1986). Summary judgment may be granted against a party who fails to make a showing sufficient to establish the existence of an element essential to its case and on which that party will bear the burden of proof at trial. Id. at 322-23, 106 S.Ct. at 2552-53. The party opposing summary judgment must produce concrete facts demonstrating there is a genuine issue of fact for trial. Buford v. Tremayne, 747 F.2d 445, 447 (8th Cir. 1984).

B. Count I - Misappropriation of Trade Secrets

Giere moves for summary judgment on Count I arguing that Eaton has failed to produce any evidence of a trade secret in this case. The definition of a trade secret is set forth in the Minnesota Trade Secrets Act:

"Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Minn. Stat. 325C.01, subd. 5.

Eaton argues that the processes by which it manufacturers its hydrostatic transmissions and transaxles constitute protectable trade secrets. Eaton claims that it "is the only manufacturer of transmission products with an iron journal shrunk-fit into an aluminum housing," and that it employs a "particular combination of stress-relief, press-fitting and heat-shrinking" techniques in the manufacture of its transmission products. Eaton agrees with Giere that the above engineering concepts are not unique within the

hydrostatic industry, but claims that the "specific dimensions and methods used in the manufacture of its transmission products constitute unique solutions to particular problems." Giere contends that any similarities between Eaton and his designs are nothing more than the results of good engineering practice. Clearly, genuine issues of material fact exist concerning Eaton's alleged trade secrets which preclude summary judgment as to Count I.

The court is also cognizant of the fact that Eaton has previously moved to modify the Protective Order so that its own engineers could review Giere's drawings in an attempt to provide more meaningful discovery concerning trade secrets. Accordingly, Giere's motion for summary judgment on Count I of the Amended Complaint is premature in light of the pending motion to modify the protective order.

C. Count II - Breach of Employee Agreement

To prevail on Count II (Breach of Employment Agreement), Eaton need only demonstrate that Giere's transmission device relates to the business of Eaton and results from any of the work performed by Giere for Eaton. Eaton does not need to prove misappropriation of trade secrets in order to prevail on Count II. Paragraph 2 of Giere's Employment Agreement with Eaton provides:

> Any discoveries, inventions, improvements and expressions of ideas that I [Giere] may make or suggest while in the employ of Eaton relating to the products, manufacturing processes or equipment in connection therewith of Eaton or to any such needs or developments of Eaton or to the manufacture of the same, shall, without further consideration, immediately become the property of Eaton.

Paragraph 2 also contains the exception to the above rule:

> [T]his agreement shall not apply to a discovery, invention, improvement or expression of idea, for which no equipment,

> supplies, facility or trade secret information of Eaton was used and which was developed entirely on my own time and (1) which does not relate (a) to the business of Eaton or (b) to Eaton's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by me for Eaton.

Giere first argues that the April 21, 1987 Employment Agreement is unenforceable for lack of consideration. However, when parties enter into an employment agreement at the inception of the employment relationship, no independent consideration is necessary to support the agreement. Overhold Crop Ins. Service v. Bredeson, 437 N.W.2d 698, 702 (Minn. Ct. App. 1989). Eaton and Giere entered into an Employment Agreement on January 2, 1980 at the beginning of Giere's employment at Eaton. The agreement that Giere later signed on April 21, 1987 is substantially similar to the January 2, 1980 agreement. If anything, it imposes additional restrictions on

Eaton's ability to assert ownership over Giere's inventions. Consequently, there was legal consideration for both Employment Agreements signed by Giere.

Giere next contends that he never violated his Employment Agreement with Eaton because his device neither relates to Eaton's business nor is the result of any work performed by Giere for Eaton. The evidence before the court suggests otherwise.

Eaton's products and Giere's design are hydrostatic transmission devices containing many similar characteristics. For example, both Eaton's Model 750 and Giere's drawings contain a radial ball piston pump, an aluminum journal housing with an iron pump journal, and a rotatable cam ring. Giere's device is somewhat smaller than Eaton's products--allegedly designed for lighter machinery such as a snowblowers and lawnmowers--but it nevertheless relates to

Eaton's business.

More importantly, the court finds that Giere's device resulted from his work at Eaton. Giere knew nothing about hydrostatic products before coming to Eaton and most likely could not have developed his hydrostatic device on his own. Any similarities between Eaton and his designs are more likely the result of Giere's work on Eaton's hydrostatic transmission products than simply good engineering practices. The fact that Giere's invention was created on his own time at night and on weekends, and without the use of Eaton's equipment, supplies or facilities, is not significant. Consequently, Eaton's motion for summary judgment as to Count II of the Amended Complaint is granted.

D. Count III - Breach of Fiduciary Duty

To prevail on Count III (Breach of Fiduciary Duties), Eaton need only demonstrate that Giere solicited business

from one of Eaton's customers while Giere was still employed by Eaton.

1. Duty of Loyalty

An employee's duty of loyalty prohibits him from soliciting the employer's customers for himself while still employed by that employer. Rehabilitation Specialists, Inc. v. Koering, 404 N.W.2d 301, 304 (Minn. App. 1987). Giere claims that his communications with Toro constitute mere preparation and not solicitation. However, Giere admits that he contacted Toro, showed engineering drawings of his devise to Toro personnel, corresponded with Toro regarding pricing of his device, and entered into a non-disclosure agreement with Toro, all while still employed at Eaton. When asked whether he had made any efforts to market his product while employed at Eaton, Giere responded that at his own initiation he contacted Toro. [Giere deposition at 22-24]. Such direct overtures constitute

solicitation under the law.

Giere next claims that Toro was not a "customer" of Eaton by virtue of the fact that The Wheelhorse Company of South Bend, Indiana, acquired by Toro in late 1988, purchased Eaton's light duty transmission products. This may be true, but it does not alter the fact that Toro has purchased products from Eaton's Hydraulics Division for many years, and was a customer of Eaton's Hydraulics Division at the time Giere contacted them.

2. Duty of Confidentiality

The fiduciary duty of confidentiality arises when an employee is given notice that certain information or materials are to be kept confidential. Aries Information, 366 N.W.2d at 369. Notice can come in the form of confidentiality agreements. Id. The duty is breached when the employee discloses or makes use of such confidential information without the employer's consent

and while still employed by that employer. Id.

In this case, Giere admits he had access to confidential design drawings at Eaton. Paragraph 5 of the Employee Agreement put Giere on notice that he was not to disclose or disseminate this information to third parties.[2] Despite the notice, Giere contacted Toro while still employed at Eaton. Such actions constitute breach of Giere's duty of confidentiality to Eaton. Accordingly, Eaton's motion for partial summary judgment on Count III of the Amended Complaint is granted.

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[2] Paragraph 5 states of the Employment Agreement states:

Unless I shall first secure the written consent of Eaton, I shall not disclose or use at any time either during or subsequent to my employment, except as required in my duties to Eaton, any secret or confidential information of Eaton or which has been entrusted to Eaton, which I have acquired during said employment, whether or not developed by me.

E. Counts IV & V - Tortious Interference with Prospective Economic Advantage and Unfair Competition

Giere moves for summary judgment on Eaton's tortious interference claim (Count IV) and unlawful competition claim (Count V). In United Wild Rice, Inc. v. Nelson, 313 N.W.2d 628, 632-33 (1982), the Minnesota Supreme Court adopted the Restatement of Torts' definition of the tort of intentional interference with prospective contractual relations:

> One who intentionally and improperly interferes with another's prospective contractual relation (except a contract to marry) is subject to liability to the other for the pecuniary harm resulting from loss of the benefits of the relation, whether the interference consists of
>
> (a) inducing or otherwise causing a third person not to enter into or continue the prospective relation or
>
> (b) preventing the other from acquiring or continuing the prospective relation.

Giere argues that he did not use any unlawful means to interfere with Eaton's prospective contractual relations or to compete with Eaton. The evidence, however, suggests that Giere ignored his Employee Agreement and violated his duties of loyalty and confidentiality when he solicited business from Toro while still working at Eaton. Giere's motion for summary judgment on Counts IV and V of the Amended Complaint is denied.

F. Temporary Restraining Order

In the alternative, defendants request that the court vacate the TRO entered August 1, 1990. The TRO prevents Giere from continuing to develop and market his transmission device in violation of his Employee Agreement with Eaton. The motions for summary judgment demonstrate the probability of Eaton's success on the merits so as to warrant the continued enforcement of the TRO.

CONCLUSION

IT IS ORDERED that

1. Plaintiff Eaton Corporation's motion for partial summary judgment on Counts II and III of the Amended Complaint is GRANTED; and

2. Defendants David Giere and Dikon Manufacturing Company's motion for summary judgment is DENIED; and

3. Defendants' alternative motion to vacate the Temporary Restraining Order is DENIED.

Dated: April 30, 1991.

Edward J. Devitt
United States District Court

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
THIRD DIVISION

Eaton Corporation, an Ohio corporation,

Plaintiff,

v.

David W. Giere and Dikon Manufacturing Company,

Defendants.

Civil No. 3-90-439
ORDER FOR FINAL JUDGMENT

- -

Michael H. King, Jon K. Stromsta and J. Michael Amrein, Ross & Hardies, Chicago, Illinois, and R. Scott Davies, Briggs & Morgan, Minneapolis, Minnesota, for plaintiff Eaton Corporation.

Richard P. Clem, Clem & Crosby, Minneapolis, Minnesota for defendants David Giere and Dikon Manufacturing Company.

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On April 30, 1991, this Court entered summary judgment in favor of plaintiff Eaton Corporation ("Eaton"), a manufacturer of hydrostatic transmissions and transaxles, and against defendant David W. Giere

("Giere"), a former Eaton employee, as to Count II (Breach of Employee Agreement) and Count III (Breach of Fiduciary Duties of Loyalty and Confidentiality) of Eaton's Amended Complaint. Eaton moves for entry of final judgment on Counts II and III and for entry of a permanent injunction against Giere. The Court having considered the relief proposed by Eaton, having heard arguments of counsel, and being otherwise fully advised in the premises,

IT IS ORDERED that:

1. The transmission device which is the subject of this lawsuit is declared the exclusive property of Eaton pursuant to the terms of Giere's April 21, 1987 Employee Agreement with Eaton. As used in this Order, "the transmission device" refers to the actuai invention at issue in this case, including any components or drawings thereof and any specifications therefor.

2. Giere and any person or entity acting for or in concert with him are permanently enjoined from

a) Engaging in any effort to design, develop or market the transmission device;

b) Engaging in any effort to design, develop, patent, manufacture or market a transmission or other device which effort would violate either Giere's April 21, 1987 Employee Agreement with Eaton or the fiduciary duties owed by Giere to Eaton;

c) Engaging in the use, disclosure or possession of any confidential information, or any information identified or known to Giere as proprietary, which information was acquired by Giere either from Eaton or during the course of Giere's employment at Eaton, whether or not such information was developed by Giere.

3. Within sixty (60) days of the entry of this Order, Giere shall:

a) Return to Eaton all originals and all copies of drawings or other documents in his possession or control, or in the possession and control of Dikon Manufacturing Company, which in any way relate to the transmission device;

b) Return to Eaton all sealed pleadings, affidavits and exhibits served upon Giere or his attorneys pursuant to Paragraph 7 of the Protective Order entered herein on December 5, 1990;

c) Provide Eaton with a complete list of

all third parties to whom Giere, or anyone acting in concert with him, has furnished information relating to the transmission device, and send a letter to each such third party, with a copy of this Order of Final Judgment and Permanent Injunction enclosed. Said letter shall request the return of all documents relating to the transmission device;

d) Notify each third party referenced in subparagraph 3.c) above that all inquires concerning the transmission device should be directed to Eaton;

e) Provide Eaton with copies of all correspondence with such third parties and notify Eaton in the event that any third party does not comply with Giere's request for the return of documents.

4. The Protective Order entered herein on December 5, 1990 is vacated. The Clerk of this Court shall return to counsel for Eaton all sealed pleadings and materials filed with the Court by either party pursuant to Paragraph 7 of the December 5, 1990 Protective Order.

5. Costs of Court are taxed against Giere pursuant to Rule 54(d) of the Federal Rules of Civil Procedure.

6. On Eaton's motion, Counts I, IV

and V of Eaton's Amended Complaint are dismissed without prejudice and with leave to reinstate if any Order of this Court is reversed or if this matter is remanded to this Court for any reason after an appeal.

7. This Court expressly retains jurisdiction over this case for purposes of enforcing the terms of this Order.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated: September 17, 1991

EDWARD J. DEVITT
United States District Judge

UNITED STATES
COURT OF APPEALS

FOR THE EIGHTH CIRCUIT

No. 91-3284

Eaton Corporation,

Appellee,

v.

David W. Giere; Dikon Manufacturing Company,

Appellants.

Appeal from the United States District Court for the District of Minnesota

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Submitted: June 12, 1992

Filed: July 27, 1992

Before WOLLMAN and HANSEN, Circuit Judges,

and ROY,* Senior District Judge.

ROY, Senior District Judge.

The plaintiff/appellee in this action, Eaton Corporation, is a company which manufactures, among other things, hydrostatic (hydraulic) transmissions and transaxles.[1] Appellant David Giere is a former employee of Eaton who resigned after working for Eaton for about 10 years as a mechanical engineer specializing in the field of hydrostatic transmissions. Appellant Dikon Manufacturing Company ("Dikon") is a corporation Giere formed after leaving Eaton for the purpose of selling a transaxle which he developed while still working there.

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*The HONORABLE ELSIJANE TRIMBLE ROY, United States Senior District Judge for the Eastern District of Arkansas, sitting by designation.

[1] A hydrostatic transaxle is a hydrostatic transmission and a drive axle constructed as one integral unit.

The appellant appeals from the district court's[2] final judgment entered September 17, 1992 in favor of Eaton. The district court had previously determined that Giere had breached his employment agreement with Eaton, together with certain fiduciary duties owed to Eaton. For the reasons set out below, the order and judgment of the district court will be affirmed.

I.

Like most manufacturers, Eaton carefully guards its manufacturing and production techniques. Such information is especially important to the profitability of Eaton's transmission products since hydrostatic transmissions and transaxles are relatively simple devices conceptually. Out of necessity, Eaton reveals such

[2]The Honorable Edward J. Devitt (dec.), United States District Judge for the District of Minnesota.

confidential information to its engineers and other employees on a "need-to-know" basis. However, it requires all such employees to sign employee agreements which require the employee to agree not to use or reveal any such confidential data outside the course of his work at Eaton.

David Giere signed such an agreement when he started working for Eaton as a product engineer on January 2, 1980.[3] A second employee agreement was signed by Giere at the insistence of Eaton on April 21, 1987, which was slightly less restrictive. Eaton sued the appellants because of an alleged breach by Giere of the later employee agreement. Both agreements provided that anything an employee made or invented while working for Eaton, if it were

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[3]. It is not disputed that the agreement was signed Giere's first day on the job.

something related to the employee's work, would become the property of Eaton. They also prohibited the unauthorized disclosure of "any secret or confidential information."

Giere's position with Eaton was his first engineering job after graduating from college. It should be noted that Giere had taken no courses directly related to transmissions, transaxles, or pumps while in school. All of his training in this field came after commencing work with Eaton. By all accounts, Giere did well at his job and eventually became the project engineer on several design projects for transaxles while at Eaton. Two models in particular were Models 750 and 850, smaller models which represented "Eaton's attempt to satisfy a growing interest for hydrostatic transmissions and transaxles that could be used for smaller riding law mowers, walk-behind mowers and snowblowers." *Eaton v.*

Giere, No. Civ. 3-90-439, slip op. at 2 (D.Minn. April 30, 1991).

In December of 1989, Giere was transferred to a different products line. He apparently was having some disagreement with his superiors as to product development. Soon after taking his new job assignment, he grew professionally dissatisfied and began working at home on the design of a hydrostatic transmission device of his own. In about February of 1990, Giere contacted The Toro Company, one of Eaton's largest customers, and showed engineering drawings of his device to Toro personnel. He also corresponded with Toro regarding the pricing of his device and even entered into a non-disclosure agreement with Toro. *Id.* at 3.

On June 18, 1990, Giere informed Eaton of his plans to develop and market his own

competitive device. Two days later he submitted his letter of resignation, effective immediately.

Five weeks after that, the plaintiff filed suit against Giere, alleging these five counts:

1) misappropriation of trade secrets,

2) breach of employee agreement,

3) breach of fiduciary duties,

4) tortious interference with prospective economic advantage,

and 5) unfair competition.

Eaton later amended its complaint to include Dikon.

On August 1, 1990, the district court entered a temporary restraining order prohibiting the appellants from continuing to develop and market Giere's transmission device. In April of 1991, the district

court entered summary judgment for Eaton on Count II (breach of employee agreement) and Count III (violation of fiduciary duty). The court found that genuine issues of material facts remained on the other counts and denied the appellants' motion for summary judgment on those. In September of 1991, the district court entered final judgment in favor of Eaton, permanently enjoined the appellants from "engaging in any effort to design, develop or market" the device in question, and declared the device to be the property of Eaton. Giere filed this appeal.

II.

Summary Judgment is appropriate only when the district court determines "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. "Fed. R. Civ. P. 56(C); see *Celotex Corp. v. Catrett*,

477 U.S. 317, 322-23 (1986). Furthermore, "a motion for summary judgment must be viewed in a light most favorable to the non-moving party, and that party must receive the benefit of all reasonable inferences to be drawn from the underlying facts." *Ivan Spencer v. Kroger Company*, 941 F.2d 699 (1991), quoting *Agristor Leasing v. Farrow*, 826 F.2d 732, (8th Cir. 1987).

The chief issues presented are:

A) Whether the District Court properly granted summary judgment in Eaton's favor as to the "breach of employee agreement" claim (Count (II).

B) Whether the District Court properly granted summary judgment in Eaton's favor as to the "fiduciary duty" claim (Count III).

The appellee contends that the trial court properly entered summary judgment on Counts II & III, i.e., that there were no

genuine issues as to any material facts regarding Giere's conduct and that said conduct constituted a breach of the employment agreement and a violation of Giere's fiduciary duty to Eaton as a matter of law.

It should be pointed out that these can be regarded as alternative means of holding for the plaintiff. Eaton did not seek or receive any form of monetary damages in this case. The injunctive relieve [sic.] granted Eaton is fully justified if the district court's holding on either Count II or Count III[4] is affirmed. We find the district court's decision should be affirmed on both Count II (breach of employment agreement)

[4]The appellants did not argue that, even if the Court were to affirm the district court's findings as to breach of the employee agreement or the violation of Giere's fiduciary duty to Eaton, the remedy imposed by the district court might be too severe or otherwise improper.

and on Count III (violation of fiduciary duty).

A. *Employment Agreement*

Giere admits that he read and signed two employment agreements with Eaton; the first when he started work there on January 2, 1980, and the other on April 21, 1987. However, he argues that the execution of the second agreement was not supported by adequate consideration. He says he either had to sign it or he would lose his job.

The original agreement executed when he started work is clearly supported by consideration. See, e.g., *Medtronic, Inc. v. Gibbons*, 527 F. Supp. 1085, 1092-93 (D.Minn. 1981), aff'd, 684 F.2d 565 (8th Cir. 1982). Furthermore, the 1980 agreement was never terminated or formally superseded. It is enforceable under Minnesota's "blue pencil doctrine". See *Modern Controls, Inc.*

v. Andreadakis, 578 F.2d 1264, 1269 (8th Cir. 1978). In other words, even if the later agreement were found not to be supported by adequate consideration, the earlier agreement would still be binding on Giere.

Eaton argues that the second agreement is supported by consideration because it "substantially expanded Giere's rights". Appellee's brief at 14 (emphasis in original). It is certainly true that Giere was provided more rights by Eaton under the 1987 agreement, though this would seem to be "making virtue out of necessity" since more liberal inventors' rights had been required by the adoption of Section 181.78 of the Minnesota statutes.[5,6] In any case, we

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[5] The 1980 agreement provided, in part, that:

> 1. Any inventions or improvements that I may make or suggest while in the employ of EATON

relating to the products, manufacturing processes or equipment in connection therewith of EATON or to any such needs or developments of EATON or to the manufacture of the same, shall, without further consideration, immediately become the property of EATON.

* * *

4. Unless I shall first secure the written consent of EATON, I shall not disclose or use at any time either during or subsequent to my employment...any secret or confidential information, of EATON which I have acquired during said employment, whether or not developed by me.

January 2, 1980 Employee Agreement, 1 & 4 (Appellee's Appendix at 85)

The 1987 agreement read, in part, as follows:

Any discoveries, inventions, improvements and expressions of ideas that I may make or suggest while in the employ of Eaton relating to the products, manufacturing processes or equipment in connection therewith of Eaton or to any such means or developments of Eaton or to the manufacture of the same, shall, without further consideration, immediately become the property of Eaton; however, this agreement shall not apply to a discovery, invention, improvement or expression of idea, for

agree with the district court's finding that "there was legal consideration for both Employment Agreements signed by Giere".

We hold that adequate consideration existed to support both employee agreements. Furthermore, even if the 1987 agreement were not, the earlier agreement was clearly supported by adequate consideration.

* * *

More than one reason exists why the

> which no equipment, supplies, facility to trade secret information of Eaton was used and which was developed entirely on my own time, and <u>(1) which does not relate (a) to the business of Eaton, or (b) to Eaton's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by me for Eaton.</u>

April 21, 1987 Employee Agreement, 2 (Appellee's Appendix at 86)(emphasis added).

[6] The language added to the Employee Agreement in 1987 tracks the language of Minn. Stat. Ann. §181.78 almost word for word.

1987 agreement can be regarded as breached. One is that the new device so obviously "relate(s)...to the business of Eaton...". Simply put, Giere made light-duty transaxles for machinery for Eaton while working there. He then started designing, with the idea of manufacturing and selling, similarly sized transaxles for the purpose of competing against Eaton.

Though there were minor differences between his version and the ones made by Eaton, there were striking similarities. For example, both Eaton's products and Giere's device are hydrostatic transmission devices containing a radial ball piston pump and a motor in one housing. The use of a radial ball piston pump and an aluminum housing within an iron pump journal and a rotatable cam ring was unique to Eaton until Giere decided to go into business for himself. It would stretch the imagination

and do damage to the English language to find that Giere's device was not "related" to Eaton's business.

The evidence suggests that Giere's device is very similar to Eaton's Model 7 Hydrostatic Transmission, but smaller so to be appropriate for snowblowers and riding mowers smaller than the ones fitted with the Model 7. The fact that Giere's device might have been targeted for a market that Eaton had not yet been able to crack is not significant because it remains unrefuted that this was an area of "Eaton's actual or demonstrably anticipated research and development," (see language of 1987 agreement, n. 5) and this is all Eaton needed to show to satisfy the "relating to" test.

Another reason the agreement can be regarded as breached is that the design and

specifications for Giere's device were obviously direct results from his work at Eaton. Giere was able to take a great many shortcuts in time and money spent on research, development, testing, and specifications because of his previous work on similar products he helped design and make at Eaton. The fact that he actually designed and made his device at home and after hours is of little relevance.

It is apparent that Giere's device, and his ability to design such a device, directly resulted from his work at Eaton. Furthermore, it is "unrealistic to expect that [Giere did] not utilize confidential information gained at [Eaton]" to make his own device. *Modern Controls*, 578 F.2d at 1270. Such use would clearly violate

Paragraph 5 of the 1987 agreement.[7]

B. *Fiduciary Duty to Eaton*

With regard to Count Three, Giere's fiduciary duty to Eaton was breached in at least two respects; Giere's duty of confidentiality to Eaton and his duty of loyalty to Eaton. The breach of confidentiality can be further divided into Giere's contractual duty, and a common law duty of confidentiality.

Paragraph 5 of the Employee Agreement states that unless Giere got prior permission, he could not "disclose or use at

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[7] Paragraph 5 of the 1987 agreement reads as follows:

Unless I shall first secure the written consent of Eaton, I shall not disclose or use at any time either during or subsequent to my employment, except as required in my duties to Eaton, any secret or confidential information of Eaton or which has been entrusted to Eaton, which I have acquired during said employment, whether or not developed by me.

any time...any secret or confidential information of Eaton...which I have acquired during said employment, whether or not developed by me". Yet the drawings he showed to prospective customers incorporated specific matters from Eaton drawings that were confidential, even if they did not rise to the level of a "trade secret".

Even when there is no contractual duty, employees have a common law duty not to use trade secrets or confidential information obtained from their employer. *Jostens, Inc. v. National Computer Sys.*, 318 N.W.2d 691, 701 (Minn. 1982). Thus, either way, Giere violated his duty of confidentiality to Eaton.

With regard to breaching a duty of loyalty, an employee owes his employer a duty of loyalty which prohibits him from soliciting the employer's customers for

himself, or from otherwise competing with his employer, while he is still employed. *Rehabilitation Specialists, Inc. v. Koering*, 404 N.W.2d 301, 304 (Minn. 1987). Giere's blatant and admitted solicitation of Toro's business prior to his leaving Eaton would obviously violate this duty.

For example, Giere admitted during his deposition that he approached Toro, one of Eaton's chief customers, about buying his device while he was still working for Eaton in the spring of 1990 and that he also had several meetings with Toro representatives during that time.

While working on his device he contacted the vendors of components he might use in the production of his product. He also contacted machinists and other subcontractors, all for the purpose of

preparing price information for Toro. Furthermore, he repeatedly contacted Toro for the purpose of informing them of his progress in development of his product and his efforts to fix a price at which he could sell the device to Toro. This was all while he was still working for Eaton.

That Giere felt the need to hide his activities from his employer is apparent from his communications with Toro while still employed by Eaton. On February 12, 1990 he wrote: "[i]t is important to me to limit exposure of this project, so for now, Toro will be the only manufacturer of riding mowers I talk to." Appellee's Appendix at 247. In May he wrote "[i]n anticipation of further discussions of these products and their designs I am enclosing a non-disclosure agreement with this letter. It will need to be approved prior to those discussions." Id. at 249.

The district court's determination that Giere violated his fiduciary duties to Eaton of loyalty and confidentially is well grounded in the law and supported by the record. It will not be disturbed by this court.

III.

The district court's entry of summary judgment for Eaton on Count II (breach of his employee agreement) and on Count III (violation of fiduciary duty) is affirmed. Likewise, its denial of the Appellants' motion for summary judgment on the other counts is affirmed.

A true copy.

Attest:

CLERK, U.S. COURT OF APPEALS, EIGHTH CIRCUIT.